

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 AGRE-00 L-03 H-01 DODE-00 PA-01

PRS-01 /083 W

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P R 130650Z AUG 77

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC PRIORITY 8282

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY WELLINGTON

LIMITED OFFICIAL USE SINGAPORE 3437

E.O. 11652: N/A

TAGS: EGEN, ASEAN, SN

SUBJECT: GOS REACTION TO ASEAN SUMMIT

1. SUMMARY. EMBASSY HAS DISCUSSED ASEAN SUMMIT OUTCOME WITH MFA ECONOMIC DIRECTORATE CHIEF LEE CHONG GIAM AND WITH ECONOMIC DEVELOPMENT BOARD DIRECTOR YEO SENG TECK. BOTH OFFICIALS SAID GOS HAD ANTICIPATED VERY MODEST RESULTS FROM SUMMIT. LEE, HOWEVER, WAS SURPRISINGLY POSITIVE ABOUT RESULTS OF POST-SUMMIT CONSULTATIONS WITH JAPANESE. END SUMMARY.

2. LEE, WHO WAS ON GOS DELEGATION TO KUALA LUMPUR SUMMIT, BRIEFED EMBOFFS ON ITS RESULTS AUGUST 12. HE SAID THAT GOS WAS NOT SURPRISED THAT LITTLE FURTHER PROGRESS HAD BEEN MADE AND WAS SATISFIED THAT POLITICAL ATMOSPHERE HAD NOW BEEN CREATED WITH IN

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WHICH REAL ECONOMIC INTEGRATION COULD DEVELOP. SUMMIT HAD SHOWN THE FIVE LEADERS WHERE LOGIAMS STILL EXIST, HAD OPENED DOOR TO MUTUAL EXTENSION OF TRADE PREFERENCES, AND HAD APPROVED MECHANISM THROUGH WHICH PREFERENCES COULD BE INCREASED (TRADE PREFERENCE NEGOTIATING GROUP UNDER ASEAN COMMITTEE ON TRADE AND TOURISM). LEE NOTED THAT GOS HOPES SOON TO REACH AGREEMENT WITH PHILIPPINES AND THAILAND ON TRILATERALIZING EXISTING BILATERAL 10 PERCENT

COVERING 1751 PRODUCTS. THESE THREE COUNTRIES WOULD THEN EXTEND PREFERENCES TO MALAYSIA AND INDONESIA "WHICH NO PRESSURE FOR RECIPROCITY". REASON IS TO AVOID CREATING SPLITS WITHIN ASEAN, INSOFAR AS DIFFERING LEVELS AND PACES OF ECONOMIC DEVELOPMENT ALLOW. LIST OF 1751 PRODUCTS (NUMBER INCLUDES THE 71 PRODUCTS ALREADY ACCEPTED FOR ASEAN-WIDE PREFERENCES) REMAINS CONFIDENTIAL TO AVOID SPECULATIVE TRADING, BUT ACCORDING TO LEE INCLUDES SOME PRODUCTS IMPORTANT IN INTRA-ASEAN TRADE.

3. LEE WAS MUCH LESS UP-BEAT ON THE FIVE ASEAN INDUSTRIAL PROJECTS. REFLECTING VIEWS PREVIOUSLY EXPRESSED BY TOP GOS OFFICIALS, HE DOWNPLAYED THEIR ECONOMIC SIGNIFICANCE, BUT NOTED THAT GOS IS STILL TRYING TO OBTAIN AGREEMENT FROM ASEAN PARTNERS ON A FEASIBLE DIESEL ENGINE PROJECT FOR SINGAPORE.

4. ON POST-SUMMIT TALKS, LEE SAID THAT FRASER VISIT HAD BEEN USEFUL IN DEFUSING WHAT MIGHT HAVE BECOME A CONFRONTATION. INSTEAD, ASEAN REPS WILL NOW BE MEETING WITH AUSTRALIANS NEXT MONTH TO TRY TO WORK OUT SOME ACCOMMODATION. SOMEWHAT TO OUR SURPRISE, LEE WAS ENTHUSIASTIC ABOUT RESULTS OF DISCUSSIONS WITH JAPANESE. "WE COULD NOT HAVE HOPED FOR BETTER RESULTS". HE FOUND PM FUKUDA'S PRESENTATIONS "ELOQUENT, PRECISE AND DETAILED". LEE, WHO SEEMS TO PRIDE HIMSELF ON HIS UNDERSTANDING OF JAPANESE MENTALITY AND BUREAUCRACY, SAID THAT JAPANESE ARE SINCERE IN THEIR INTEREST IN DEVELOPING CLOSER RELATIONS WITH ASEAN, AND ADDED THAT GOS TAKES SERIOUSLY FUKUDA'S PROMISES OF LIMITED OFFICIAL USE

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"FAVORABLY CONSIDERING " ASEAN'S REQUEST FOR BETTER GSP TREATMENT. GOS WAS HAPPY WITH JAPANESE OFFER OF \$1 BILLION FOR THE FIVE INDUSTRIAL PROJECTS, AND FULLY UNDERSTANDS THAT OFFER MUST BE CONDITIONAL ON FAVORABLE FEASIBILITY STUDIES.

5. LEE PUT CHANGED JAPANESE ATTITUDE TOWARD ASEAN DOWN TO SEVERAL FACTORS:

-- CHANGE IN POLITICAL SITUATION IN SOUTHEAST ASIA
AFTER U.S. WITHDRAWAL FROM VIETNAM.

-- CHANGE IN JAPANESE GOVERNMENT
-- JAPANESE PERCEPTION THAT ASEAN IS BEGINNING TO COME
OF AGE AND IS EMERGING AS A REASONABLE AND RESPONSIBLE
ORGANIZATION.

-- CAREFUL GROUND WORK BY ASEAN WITH THE JAPANESE IN PREPARATION
FOR HEADS OF STATE MEETING. LEE EMPHASIZED NEED FOR DETAILED
DISCUSSIONS WITH LOWER LEVEL JAPANESE BUREAUCRATS AS BASIS
FOR HIGH LEVEL DECISIONS.

6. YEO, EDB DIRECTOR, TOLD EMBOFF THAT SUMMIT OUTCOME WAS ABOUT WHAT GOS HAD EXPECTED. "GOS IS USED TO WORKING FASTER " BUT IT RECOGNIZES THAT ASEAN PARTNERS ARE AT "DIFFERENT LEVELS OF DEVELOPMENT". ON FIVE ASEAN PROJECTS, YEO SAID IT WAS UNFORTUNATE THAT THEY HAVE BECOME SOMEHOW SYMBOLIC OF ASEAN'S SUCCESS. THEY ARE IN THEMSELVES NOT ESPECIALLY IMPORTANT ECONOMICALLY, AND WERE DECIDED UPON TOO HASTILY. THE EARLIER NOTION OF JOINT ASEAN OWNERSHIP OF THE PROJECTS IS ERODING AS BUEAUCRATIC PROBLEMS WITH JOINT OWNERSHIP BECOME MORE APPARENT. THE JAPANESE OFFER OF \$1 BILLION WOULD NOT INVOLVE ANY EQUITY OWNERSHIP, BUT WOULD PROVIDE FINANCING ON CONCESSIONAL TERMS, IF IN FACT ANY OF THE PROJECTS MATERIALIZE.

7.COMMENT: TONE OF LEE'S AND YEO COMMENTS INDICATES THAT LIMITED OFFICIAL USE

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GOS EXPECTS PROGRESS TOWARD ASEAN ECONOMIC INTEGRATION TO BE SLOW AND IS PREPARED TO WAIT IT OUT PATIENTLY. COMMENTS ALSO REFLECT GOS CONVICTION THAT SINGAPORE MAY BADLY NEED A HEALTHY ASEAN ECONOMIC GROUPING IN THE FUTURE IN VIEW OF SINGAPORE'S COMPLETE DEPENDENCE ON TRADE, INCLUDING EXPORT OF ITS OWN MANUFACTURES. HOLDRIDGE

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